



2022 Half-Year Results
Press release – Paris, July 27, 2022

Continued good momentum across categories and geographies

- **Net sales of €13,325m in H1 2022, up +7.4%** on a like-for-like (LFL) basis and +12.6% on a reported basis
- **Strong sales growth in Q2 at +7.7% LFL**, led by price up +6.8% and volume/mix up +0.9%
- **Continued good momentum across categories and geographies**
 - +8.9% in North America driven by coffee creamers, yogurts and plant-based
 - +5.1% in Europe led by Specialized Nutrition and Waters
 - +3.3% in China, North Asia & Oceania led by Specialized Nutrition, while Mizone was penalized by Covid-related restrictions and lockdowns
 - +12.3% in Rest of the World with all categories contributing
- **Recurring operating margin at 12.1%**: focus on revenue growth management and productivity efforts, reinvestment journey kickstarted
- **Recurring EPS at €1.63**, +7.2% from last year; **€0.7bn free-cash-flow**
- **2022 guidance updated**: LFL net sales growth now expected between +5 and +6%, recurring operating margin above 12% confirmed

2022 Half-Year Key Figures

<i>in millions of euros except if stated otherwise</i>	H1 2021	H1 2022	Reported Change	Like-for-like Change (LFL)
Sales	11,835	13,325	+12.6%	+7.4%
Recurring operating income	1,551	1,612	+3.9%	+0.5%
Recurring operating margin	13.1%	12.1%	-101 bps	-88 bps
Non-recurring operating income and expenses	(700)	(233)	+467	
Operating income	851	1,380	+62.0%	
Operating margin	7.2%	10.4%	+316 bps	
Recurring net income – Group share	1,000	1,051	+5.1%	
Non-recurring net income – Group share	68	(314)	(381)	
Net income – Group share	1,068	737	-31.0%	
Recurring EPS (€)	1.53	1.63	+7.2%	
EPS (€)	1.63	1.14	-29.8%	
Free cash flow	1,009	674	-33.2%	
Cash flow from operating activities	1,381	970	-29.8%	

Antoine de Saint-Affrique: CEO statement

"This strong first half, with broad based progress despite an unprecedented external environment, is a testimony to the resilience, the focus and the engagement of all Danoners. We started deploying our Renew Danone agenda with discipline and consistency, further accelerating our growth in Q2: we show good momentum across many facets of the business from Aptamil to Waters or North America, to name a few. While the quality of our first half delivery is encouraging and leads us to now expect a +5 to +6% like-for-like sales growth for the full year, this is only the start of our Renew journey: we believe there is still much we can do to bring Danone where we want it to be and deliver on both our purpose and our business ambition."

All references in this document to Like-for-like (LFL) changes, Recurring operating income and margin, Recurring net income, Recurring income tax rate, Recurring EPS, Free cash-flow and net financial debt, correspond to financial indicators not defined in IFRS. Their definitions, as well as their reconciliation with financial statements, are listed on pages 6 and 7.

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I. 2022 HALF-YEAR RESULTS

Second quarter and half-year sales

In the first half of 2022, consolidated sales stood at €13.3 bn, up +7.4% on a like-for-like basis, with a +6.1% contribution from price and +1.3% contribution from volume/mix. On a reported basis, sales increased by +12.6%, benefiting from a positive forex impact of +4.2%, notably reflecting the appreciation of the US dollar, the British pound and various Asian and Latin American currencies against the Euro. Reported sales were also impacted by a positive organic contribution of hyperinflation geographies to growth of +0.9%, as well as a slightly negative scope effect of -0.4%, resulting from the combined impacts of the integration of Follow Your Heart and the disposal of Vega.

In the second quarter, sales increased by +7.7% on a like-for-like basis, with a +6.8% contribution from price and +0.9% contribution from volume/mix. On a reported basis, sales increased by +14.5%, benefiting from a positive forex impact of +6.0% and a positive organic contribution of hyperinflation countries to growth of +0.8%, while the scope effect was slightly negative (-0.5%).

€ million except %	Q2 2021	Q2 2022	Reported change	LFL Sales Growth	Volume/ Mix Growth	H1 2021	H1 2022	Reported change	LFL Sales Growth	Volume/ Mix Growth
BY GEOGRAPHICAL ZONE										
Europe	2,155	2,267	+5.2%	+5.1%	+0.2%	4,142	4,382	+5.8%	+5.4%	+1.6%
North America ¹	1,391	1,662	+19.5%	+8.9%	+2.0%	2,707	3,139	+16.0%	+7.2%	+1.7%
China, North Asia & Oceania ²	832	936	+12.5%	+3.3%	+4.4%	1,430	1,671	+16.9%	+8.3%	+6.1%
Rest of the World	1,793	2,202	+22.8%	+12.3%	-0.9%	3,556	4,132	+16.2%	+9.7%	-1.5%
BY CATEGORY										
EDP	3,254	3,684	+13.2%	+5.6%	-3.0%	6,406	7,062	+10.2%	+4.6%	-2.4%
Specialized Nutrition	1,793	2,106	+17.5%	+11.4%	+8.7%	3,513	4,029	+14.7%	+10.4%	+6.3%
Waters	1,125	1,277	+13.6%	+7.9%	-0.4%	1,916	2,234	+16.6%	+11.2%	+4.2%
TOTAL	6,171	7,067	+14.5%	+7.7%	+0.9%	11,835	13,325	+12.6%	+7.4%	+1.3%

Recurring Operating Margin

Danone's recurring operating income reached €1.6 bn in H1 2022. Recurring operating margin stood at 12.1%, down -101 basis points (bps) on a reported basis and -88 bps on a like-for-like basis compared to last year. This decrease was mainly driven by the strong negative impact of input-cost inflation net of productivity, estimated at c. -610 bps. This negative effect was partially offset by the positive effect of topline drivers – which include volume, mix and price – for a combined estimated impact of c. +440 bps.

Danone has kickstarted its reinvestment journey, focusing notably on product superiority and capabilities, with reinvestments having a negative effect of -10 bps in H1. Finally, Overheads before reinvestments had a positive effect of +111 bps, reflecting the savings achieved as part of Local First.

In addition to like-for-like effects, reported margin also includes the negative impact of Forex and others, changes in scope and an organic contribution from hyperinflation countries for a total combined effect of -29 bps.

¹United States and Canada; ²China, Japan, Australia and New Zealand

Recurring operating profit (€m) and margin (%)	H1 2021		H1 2022		Change	
	€m	Margin (%)	€m	Margin (%)	Reported	Like-for-like

BY GEOGRAPHICAL ZONE

Europe	625	15.1%	574	13.1%	-199 bps	-183 bps
North America ¹	283	10.4%	254	8.1%	-235 bps	-245 bps
China, North Asia & Oceania ²	423	29.6%	534	32.0%	+240 bps	+240 bps
Rest of the World	221	6.2%	250	6.1%	-16 bps	+17 bps

BY CATEGORY

EDP	616	9.6%	494	7.0%	-262 bps	-257 bps
Specialized Nutrition	769	21.9%	933	23.2%	+128 bps	+180 bps
Waters	166	8.6%	185	8.3%	-39 bps	-106 bps

Total	1,551	13.1%	1,612	12.1%	-101 bps	-88 bps
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Performance by geographical zone

▪ EUROPE

Europe posted sales growth of +5.4% in H1 2022 on a like-for-like basis and recurring operating margin stood at 13.1%, down -199 bps compared to last year.

In the second quarter, sales increased by +5.1% on a like-for-like basis, driven by +4.9% growth in price and +0.2% growth in volume/mix. The performance varied from country to country, and was led by the UK, Spain and Poland. By category, growth was driven by a strong momentum in Specialized Nutrition, led by *Aptamil*, and in Waters, led by *evian*, *Zywiec Zdroj* and *Font Vella*. In EDP, sales increased by low single digits, driven by *Actimel*, *Alpro* and *YoPro*.

▪ NORTH AMERICA

North America posted +7.2% sales growth in H1 2022 on a like-for-like basis and recurring operating margin decreased by -235 bps to 8.1%.

In the second quarter, sales increased by +8.9% on a like-for-like basis, driven by +6.8% growth in price and +2.0% growth in volume/mix. In the US, this strong growth was driven by continued momentum across categories and brands. In EDP, coffee creamers, yogurts and plant-based posted high single-digit competitive growth, driven by *International Delight*, *Oikos*, *Activia*, *Danimals* and *Silk*. In Specialized Nutrition, Danone stepped up exports of *Neocate* specialized formula and *Aptamil* baby formula to help address baby formula shortages. In Canada, growth was led by *Activia*, *Silk* and *Oikos*.

▪ CHINA, NORTH ASIA & OCEANIA

China, North Asia & Oceania posted sales growth of +8.3% in H1 2022 on a like-for-like basis and recurring operating margin was up +240 bps to 32.0%.

In the second quarter, sales increased by +3.3% on a like-for-like basis, with volume/mix up +4.4% and price down -1.0%. In China, Infant Milk Formula posted mid-to-high single digit growth with continued resilient market share on both Domestic and International labels. Chinese Labels grew by double digits, while International labels saw continued growth, with indirect channels (Daigous, Friends & Family) now representing less than 15% of the segment's revenues in Q2. Special Pediatric solutions and Adult Nutrition continued their good momentum, while in Waters, *Mizone* declined in the mid-teens range, impacted by mobility restrictions and lockdowns across China.

¹United States and Canada; ²China, Japan, Australia and New Zealand

Beyond China, Japan delivered double-digit growth, led by *Activia*, *Danone* and *Oikos*, while Oceania platforms showed strong momentum in Specialized Nutrition.

▪ REST OF THE WORLD

Rest of the World registered sales growth of +9.7% in H1 2022 on a like-for-like basis and recurring operating margin was broadly stable at 6.1% (-16 bps).

In the second quarter, sales increased by +12.3% on a like-for-like basis, with volume/mix down -0.9% and price up +13.1%. In Indonesia, sales were up double-digits, led by strong growth in *Aqua* in all formats, with stable market shares, and strong momentum in Specialized Nutrition. In Latin America, sales increased double-digits, led by all categories, while operating conditions remain extremely constrained in Russia and Ukraine.

Net income and Earnings per share

Other operating income and expense reached -€233 million vs -€700 million in the prior year. In 2021, Other operating income and expense resulted primarily from one-off implementation costs of the Local First project and by investments related to the transformation of Danone's operations. As a result, reported operating margin was up +316 bps in H1 2022, from 7.2% to 10.4%.

Net financial costs increased by -€12 million to -€141 million, resulting from appreciation of the US dollar against the euro. **Net income from associates** decreased significantly from €602 million to -€89 million, reflecting the impact of the Mengniu disposal in H1 2021 and impairment related to the disposal of the remaining minority investments in Mengniu partnerships announced in H1 2022.

As a result, Reported EPS decreased by -29.8% to €1.14, while **Recurring EPS** was up +7.2% to €1.63.

in millions of euros except if stated otherwise	H1 2021			H1 2022		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Recurring operating income	1,551		1,551	1,612		1,612
Other operating income and expense		(700)	(700)		(233)	(233)
Operating income	1,551	(700)	851	1,612	(233)	1,380
Cost of net debt	(87)		(87)	(78)		(78)
Other financial income and expense	(43)	0	(42)	(69)	6	(63)
Income before taxes	1,422	(699)	722	1,466	(227)	1,239
Income tax	(391)	173	(218)	(403)	28	(376)
Effective tax rate	27.5%		30.2%	27.5%		30.3%
Net income from fully consolidated companies	1,031	(527)	504	1,063	(199)	863
Net income from associates	9	593	602	25	(114)	(89)
Net income	1,040	66	1,106	1,088	(313)	774
• Group share	1,000	68	1,068	1,051	(314)	737
• Non-controlling interests	40	(2)	38	37	0	37
EPS (€)	1.53		1.63	1.63		1.14

Cash flow and Debt

Free cash flow reached €674 million in H1 2022, down -33.2% from last year, reflecting the decrease in cash-flow from operating activities. Capex stood at €318 million, down from last year (€390 million in H1 2021).

As of June 30, 2022, **Danone's net debt stood at €11.5 bn**, up €1.0 bn from December 31, 2021.

II. 2022 GUIDANCE

Price-led like-for-like sales growth now expected between +5 and +6%, versus +3 to +5% previously; recurring operating margin expected above 12%.

III. MAJOR DEVELOPMENTS OVER THE PERIOD

- **April 26, 2022:** At Danone's 2022 Annual General Meeting, shareholders approved all resolutions submitted for approval by the Board of Directors, including the distribution of a dividend of €1.94 per share in cash, in line with last year, as well as the appointment of all candidates proposed to join the Board of Directors – Antoine de Saint-Affrique, Patrice Louvet, Géraldine Picaud and Susan Roberts – and the ratification of the co-opting of Valérie Chapoulaud-Floquet as Director.
- **April 29, 2022:** Danone and Compañía Cervecerías Unidas (CCU) announced a strategic alliance, as CCU Argentina has acquired a large minority stake in Aguas Danone de Argentina. This partnership will allow both companies to enrich their beverage offerings and strengthen their operations in the country.
- **May 6, 2022:** Danone announced that it agreed to sell to Mengniu the 25% stake the company holds in Yashili and the 20% stake it holds in the Inner Mongolia Dairy Joint Venture. In parallel, Danone will acquire from Yashili 100% of Dumex Baby Food Co Ltd, a Chinese manufacturer of Infant Milk Formula products. China remains highly strategic for Danone, and the announcement will notably allow the company to further expand its ability to manufacture Infant Milk Formula products locally. In line with Danone's capital allocation priorities, the expected proceeds will be dedicated to further deleveraging the company.

IV. IFRS STANDARDS AND FINANCIAL INDICATORS NOT DEFINED IN IFRS

IAS29: impact on reported data

Danone has been applying IAS 29 in hyperinflation countries as defined in IFRS, except for Turkey in view of the immaterial impact for the first semester 2022. Adoption of IAS 29 in these hyperinflationary countries requires its non-monetary assets and liabilities and its income statement to be restated to reflect the changes in the general pricing power of its functional currency, leading to a gain or loss on the net monetary position included in the net income. Moreover, its financial statements are converted into euros using the closing exchange rate of the relevant period.

IAS 29: impact on reported data € million except %	Q2 2022	H1 2022
Sales	3	28
Sales growth (%)	+0.04%	+0.21%
Recurring Operating Income		-25
Recurring Net Income – Group share		-53

Breakdown by quarter of first-half 2022 sales after application of IAS 29

H1 2022 sales correspond to the addition of:

- Q2 2022 reported sales;
- Q1 2022 sales resulting from the application of IAS29 until June 30, 2022 to sales of entities of hyperinflation countries (application of the inflation rate until June 30, 2022 and translation into euros using June 30, 2022 closing rate) and provided in the table below for information (unaudited data).

€ million	Q1 2022 ¹	Q2 2022	H1 2022
Europe	2,114	2,267	4,382
North America	1,477	1,662	3,139
China, North Asia & Oceania	735	936	1,671
Rest of the World	1,931	2,202	4,132
Total	6,258	7,067	13,325

¹Results from the application of IAS29 until June 30, 2022 to Q1 sales of entities of hyperinflation countries.

Financial indicators not defined in IFRS

Due to rounding, the sum of values presented may differ from totals as reported. Such differences are not material.

Like-for-like changes in sales, recurring operating income and recurring operating margin reflect Danone's organic performance and essentially exclude the impact of:

- changes in consolidation scope, with indicators related to a given fiscal year calculated on the basis of previous-year scope, both previous-year and current-year scopes excluding entities in countries under hyperinflation according to IAS 29 during the previous year (as for Argentinian entities since January 1st, 2019, and except for Turkey);
- changes in applicable accounting principles;
- changes in exchange rates with both previous-year and current-year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by Danone for the current year and applied to both previous and current years).

Bridge from reported data to like-for-like data

(€ million except %)	H1 2021	Like-for-like change	Impact of changes in scope of consolidation	Impact of changes in exchange rates & others incl. IAS29	Organic contribution from hyperinflation countries	Reported change	H1 2022
Sales	11,835	+7.4%	-0.4%	+4.7%	+0.9%	+12.6%	13,325
Recurring operating margin	13.1%	-88 bps	+3 bps	-17 bps	+2 bps	-101 bps	12.1%

Recurring operating income is defined as Danone's operating income excluding Other operating income and expenses. Other operating income and expenses comprise items that, because of their significant or unusual nature, cannot be viewed as inherent to Danone's recurring activity and have limited predictive value, thus distorting the assessment of its recurring operating performance and its evolution. These mainly include:

- capital gains and losses on disposals of fully consolidated companies;
- impairment charges on intangible assets with indefinite useful lives;
- costs related to strategic restructurings or transformation plans;
- costs related to major external growth transactions;
- costs related to major crisis and major litigations;
- in connection with of IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, and (iii) changes in earn-outs relating to business combinations and subsequent to acquisition date.

Recurring operating margin is defined as Recurring operating income over Sales ratio.

Other non-recurring financial income and expense corresponds to financial income and expense items that, in view of their significant or unusual nature, cannot be considered as inherent to Danone's recurring financial management. These mainly include changes in value of non-consolidated interests.

Non-recurring income tax corresponds to income tax on non-recurring items as well as tax income and expense items that, in view of their significant or unusual nature, cannot be considered as inherent to Danone's recurring performance.

Recurring effective tax rate measures the effective tax rate of Danone's recurring performance and is computed as the ratio income tax related to recurring items over recurring net income before tax.

Non-recurring results from associates include items that, because of their significant or unusual nature, cannot be viewed as inherent to the recurring activity of those companies and thus distort the assessment of their recurring performance and its evolution. These mainly include (i) capital gains and losses on disposal and impairment of Investments in associates, and (ii) non-recurring items, as defined by Danone, included in the net income from associates.

Recurring net income (or Recurring net income – Group Share) corresponds to the Group share of the consolidated Recurring net income. The Recurring net income excludes items that, because of their significant or unusual nature, cannot be viewed as inherent to Danone's recurring activity and have limited predictive value, thus distorting the assessment of its recurring performance and its evolution. Such non-recurring income and expenses correspond to Other operating income and expenses, Other non-recurring financial income and expenses, Non-recurring income tax, and Non-recurring income from associates. Such income and expenses, excluded from Net income, represent Non-recurring net income.

Recurring EPS (or Recurring net income – Group Share, per share after dilution) is defined as the ratio of Recurring net income adjusted for hybrid financing over Diluted number of shares. In compliance with IFRS, income used to calculate EPS is adjusted for the coupon related to the hybrid financing accrued for the period and presented net of tax.

	H1 2021		H1 2022	
	Recurring	Total	Recurring	Total
Net income-Group share (€ million)	1,000	1,068	1,051	737
Coupon related to hybrid financing net of tax (€ million)	(8)	(8)	(7)	(7)
Number of shares				
• Before dilution	650,135,856	650,135,856	638,514,268	638,514,268
• After dilution	650,695,040	650,695,040	638,827,268	638,827,268
EPS (€)				
• Before dilution	1.53	1.63	1.64	1.14
• After dilution	1.53	1.63	1.63	1.14

Free cash flow represents cash flows provided or used by operating activities less capital expenditure net of disposals and, in connection with IFRS 3 (Revised), relating to business combinations, excluding (i) acquisition costs related to business combinations, and (ii) earn-outs related to business combinations and paid subsequently to acquisition date.

(€ million)	H1 2021	H1 2022
Cash-flow from operating activities	1,381	970
Capital expenditure	(390)	(318)
Disposal of tangible assets & transaction fees related to business combinations ¹	17	22
Free cash-flow	1,009	674

¹ Represents acquisition costs related to business combinations paid during the period.

Net financial debt represents the net debt portion bearing interest. It corresponds to current and non-current financial debt (i) excluding Liabilities related to put options granted to non-controlling interests and earn-outs on acquisitions resulting in control and (ii) net of Cash and cash equivalents, Short term investments and Derivatives – assets managing net debt.

(€ million)	December 31, 2021	June 30, 2022
Non-current financial debt	12,537	12,198
Current financial debt	4,048	3,540
Short-term investments	(5,197)	(3,173)
Cash and cash equivalents	(659)	(965)
Derivatives — non-current assets ¹	(120)	(43)
Derivatives — current-assets ¹	(91)	(39)
Net debt	10,519	11,518
• Liabilities related to put options granted to non-controlling interests — non-current	(76)	(90)
• Liabilities related to put options granted to non-controlling interests and earn-outs on acquisitions resulting in control — current	(280)	(250)
Net financial debt	10,163	11,178

¹ Managing net debt only



FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements concerning Danone. In some cases, you can identify these forward-looking statements by forward-looking words, such as “estimate”, “expect”, “anticipate”, “project”, “plan”, “intend”, “objective”, “believe”, “forecast”, “guidance”, “foresee”, “likely”, “may”, “should”, “goal”, “target”, “might”, “will”, “could”, “predict”, “continue”, “convinced” and “confident,” the negative or plural of these words and other comparable terminology. Forward looking statements in this document include, but are not limited to, predictions of future activities, operations, direction, performance and results of Danone.

Although Danone believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. For a detailed description of these risks and uncertainties, please refer to the “Risk Factor” section of Danone’s Universal Registration Document (the current version of which is available at www.danone.com).

Subject to regulatory requirements, Danone does not undertake to publicly update or revise any of these forward-looking statements. This document does not constitute an offer to sell, or a solicitation of an offer to buy Danone securities.

The presentation to analysts and investors will be broadcast live today from 8:30 a.m. (Paris time) on Danone’s website (www.danone.com).
Related slides will also be available on the website in the Investors section.

APPENDIX – Sales by geographical zone and by category (in € million)

	First quarter		Second quarter		First half	
	2021	2022	2021	2022	2021	2022
BY GEOGRAPHICAL ZONE						
Europe	1,987	2,114	2,155	2,267	4,142	4,382
North America ¹	1,316	1,477	1,391	1,662	2,707	3,139
China, North Asia & Oceania ²	598	735	832	936	1,430	1,671
Rest of the World	1,756	1,909	1,793	2,202	3,556	4,132
BY CATEGORY						
EDP	3,149	3,365	3,254	3,684	6,406	7,062
Specialized Nutrition	1,719	1,919	1,793	2,106	3,513	4,029
Waters	790	951	1,125	1,277	1,916	2,234
TOTAL	5,657	6,236	6,171	7,067	11,835	13,325

	First quarter 2022		Second quarter 2022		First half 2022	
	Reported change	Like-for- like change	Reported change	Like-for- like change	Reported change	Like-for- like change
BY GEOGRAPHICAL ZONE						
Europe	+6.4%	+5.7%	+5.2%	+5.1%	+5.8%	+5.4%
North America ¹	+12.2%	+5.5%	+19.5%	+8.9%	+16.0%	+7.2%
China, North Asia & Oceania ²	+22.9%	+15.3%	+12.5%	+3.3%	+16.9%	+8.3%
Rest of the World	+8.7%	+7.0%	+22.8%	+12.3%	+16.2%	+9.7%
BY CATEGORY						
EDP	+6.9%	+3.6%	+13.2%	+5.6%	+10.2%	+4.6%
Specialized Nutrition	+11.7%	+9.5%	+17.5%	+11.4%	+14.7%	+10.4%
Waters	+20.5%	+15.9%	+13.6%	+7.9%	+16.6%	+11.2%
TOTAL	+10.2%	+7.1%	+14.5%	+7.7%	+12.6%	+7.4%

¹United States and Canada; ²China, Japan, Australia and New Zealand